QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 31, 2026 Volume 20 Issue 165

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- The series of higher highs, lows, and closes suggests more upside is to come after Friday's down close.
- A decrease in the SOMA this past week led to a reduction in liquidity.
- Intermediate-term signs remain mixed. Among other indications the long-term uptrend is still intact but the NASDAQ continues to lag.

Short-term Outlook

The Bottom Line

The Aggregator is bullish, but I am not all that enthusiastic.

Summary of Recent Active Studies (see Letters from listed dates for details

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
August 31, 2026	SPY down close after 3 higher highs, > 200m	1-3 days	Bullish	0.97%	-0.69%	-1.39%
Active - Long Term						
August 12, 2026	Hindenburg Omen - 4th signal in 30 days	1-35 days	Bearish	-6.54%	2.95%	4.86%
August 5, 2026	SPX 50-day %b crosses over 100	1-50 days	Bullish	4.91%	-4.26%	-8.73%
August 3, 2026	Down June & down July -> weak Aug & Sep	1-2 months	Bearish			
July 6, 2026	No QE. Rate rise probable. Fed hawkish	int term	Bearish			
June 29, 2026	NASDAQ lagging	int term	weak			
May 27, 2026	NDX > 18% above 200ma	1-90 days	Bullish	13.80%	-9.37%	-18.64%
May 13, 2026	SPX historically strong 6-week rally	1-12 months	Bullish	18.96%	-8.29%	-10.88%
April 27, 2026	Sell in May 2nd yr Pres Cycle & 5% pullback	1-6 months	Bearish			
June 30, 2025	SPX Golden Cross (7/1/25)	int term	Bullish			

The Evidence

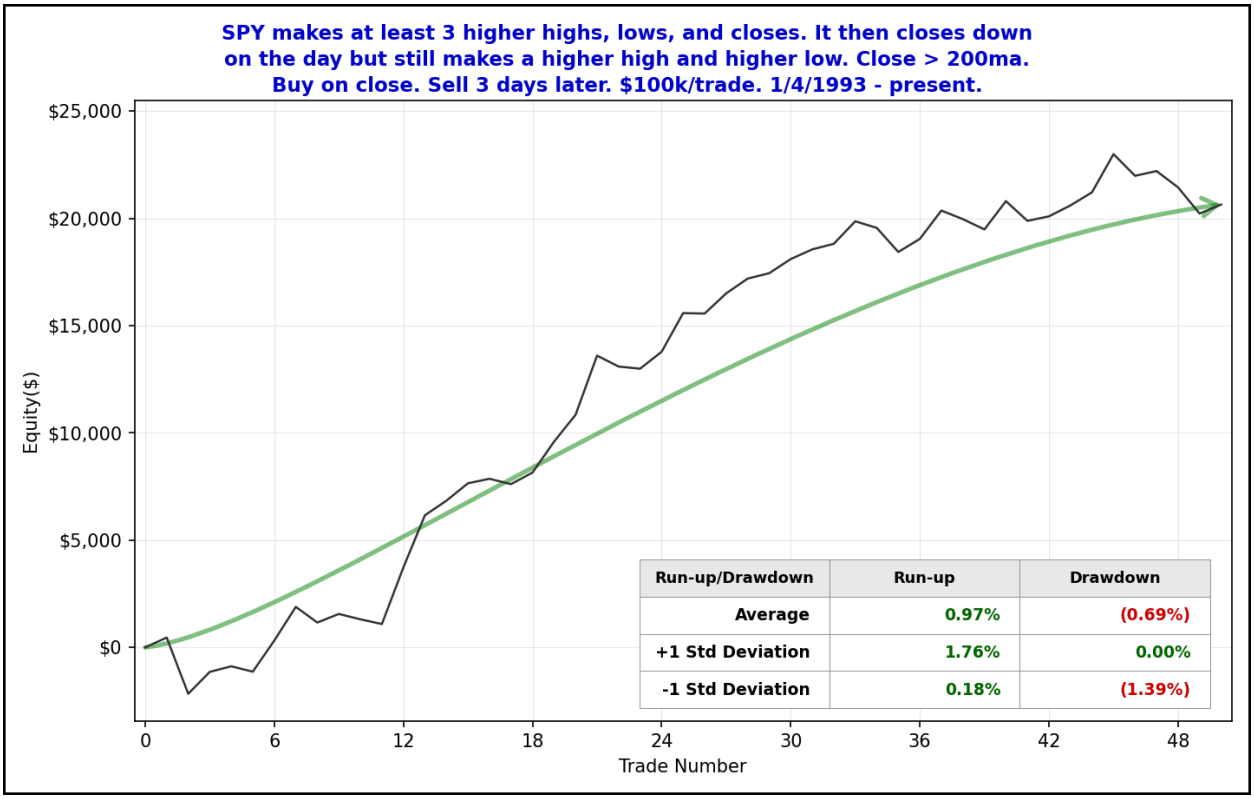
Friday was a down day for the market. SPX finished lower by 0.2%, the NASDAQ lost 0.5%, and the Russell 2000 tumbled 1.4%. Breadth was moderately negative as the NYSE Up Issues % closed at 42% and the NYSE Up Volume % posted a 45% reading. NYSE total volume was slightly lower than Thursday's level.

SPY finished lower, but it did manage to register a higher high and a higher low. The study below was last seen in the 1/27/25 letter and it examines other times a pullback of this sort followed a series of higher highs, lows, and closes. I've updated the results.

SPY makes at least 3 higher highs, lows, and closes. It then closes down on the day but still makes a higher high and higher low. Close > 200ma. Buy on close. Sell X days later. 1/4/1993 - present.

X Days	Total Trades	Winning Trades	Losing Trades	Win %	Max Winning Trade	Max Losing Trade	Avg Winning Trade	Avg Losing Trade	Win/Loss Ratio	Profit Factor	Avg Trade
5	50	30	20	60.00%	4.89%	-4.61%	1.36%	0.93%	1.46	2.19	0.442%
4	50	34	15	68.00%	2.97%	-2.39%	1.14%	0.95%	1.20	2.72	0.488%
3	50	33	17	66.00%	2.76%	-2.62%	0.96%	0.66%	1.47	2.86	0.414%
2	50	33	16	66.00%	2.40%	-2.30%	0.78%	0.75%	1.05	2.16	0.277%
1	50	31	19	62.00%	1.71%	-1.58%	0.52%	0.44%	1.18	1.92	0.154%

There appears to be a solid propensity for the move up to resume. Below is a profit curve assuming a 3-day holding period.



While the curve has faltered some over the last few instances, the persistent move higher over the long run is impressive. This study seems worth consideration. I have added it to the Active List tonight.

Next let's take a quick look at the preliminary September Seasonality Calendar for SPX.

Quantifiable Edges Seasonality Calendar $SPX S&P 500 Index			
Date	Win%	Profit Factor	Avg % Chg
9/1/2026	54.52	1.136	0.031
9/2/2026	59.09	1.501	0.123
9/3/2026	54.95	1.157	0.033
9/4/2026	58.73	1.266	0.065
9/8/2026	52.42	1.203	0.056
9/9/2026	54.92	1.281	0.083
9/10/2026	53.12	1.040	-0.002
9/11/2026	55.73	1.322	0.086
9/14/2026	56.82	1.142	0.033
9/15/2026	53.01	1.140	0.040
9/16/2026	48.22	0.793	-0.082
9/17/2026	52.39	0.942	-0.019
9/18/2026	49.95	0.919	-0.028
9/21/2026	54.21	1.008	-0.018
9/22/2026	49.85	0.953	-0.024
9/23/2026	50.11	0.937	-0.028
9/24/2026	51.07	0.973	-0.017
9/25/2026	50.74	0.889	-0.042
9/28/2026	58.68	1.316	0.081
9/29/2026	54.23	1.080	0.024
9/30/2026	54.49	1.064	0.019
Baseline	*54.72*	*1.169*	*0.057*
	QuantifiableEdges.com		

Numbers here will change slightly when I do the official run after the close on Monday, but I would not expect them to change very much. What we see is that the first two weeks of September have some decent numbers for the bulls. It's once we get into the second half of the month but there has often been trouble. Of course the week after Opex in September is the one I have dubbed for many years as “The Weakest Week”. But I’ll talk more about that when we get closer.

I have updated the Aggregator chart below.



With this weekend's evidence considered, the green Aggregator Line remained above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line moved back above zero. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are positive and SPX is slightly oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above zero. Therefore, the Aggregator formation turned long at the close.

Based on the current list of active studies, expectations are set to remain positive on Monday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 7717.56. That is just 0.075% above Friday's close. Therefore, SPX will only need to close up less than 0.1% on Monday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is back to bullish. But it seems to be a very tenuous signal. We only have one short-term study on the active list suggesting a long side edge, and the Differential Pivot is nearly inverted. So basically any move up on Monday is going to turn SPX overbought and flip the aggregator formation to either flat or bearish. With this knowledge I am not inclined to get excited about a long set-up just yet - especially considering my neutral intermediate-term outlook. I'll see how Monday plays out. We may get more bullish evidence to emerge if there is selling on Monday.

And that would also likely mean a more oversold condition. So I won't be doing anything right now but I very well could be looking to take some long exposure Tuesday if Monday does not get the bounce that this weekend's study is suggesting is likely to come at some point in the next few days.

Intermediate-term Outlook (2 weeks – 2 months) – updated 8/31 – neutral

Combo #1	Combo #2	Combo #3	Combo #4
Flat	Flat	Flat	Flat

Above is the status of the different Combination Signals from the Quantifiable Edges Market Dynamics Course. Signals are long-term in nature. All 4 can be either flat or long. None of them look to short. More information on these signals can be found in the Quantifiable Edges Market Dynamics Course, which is included with all annual subscriptions. *All four combo models are again flat.*

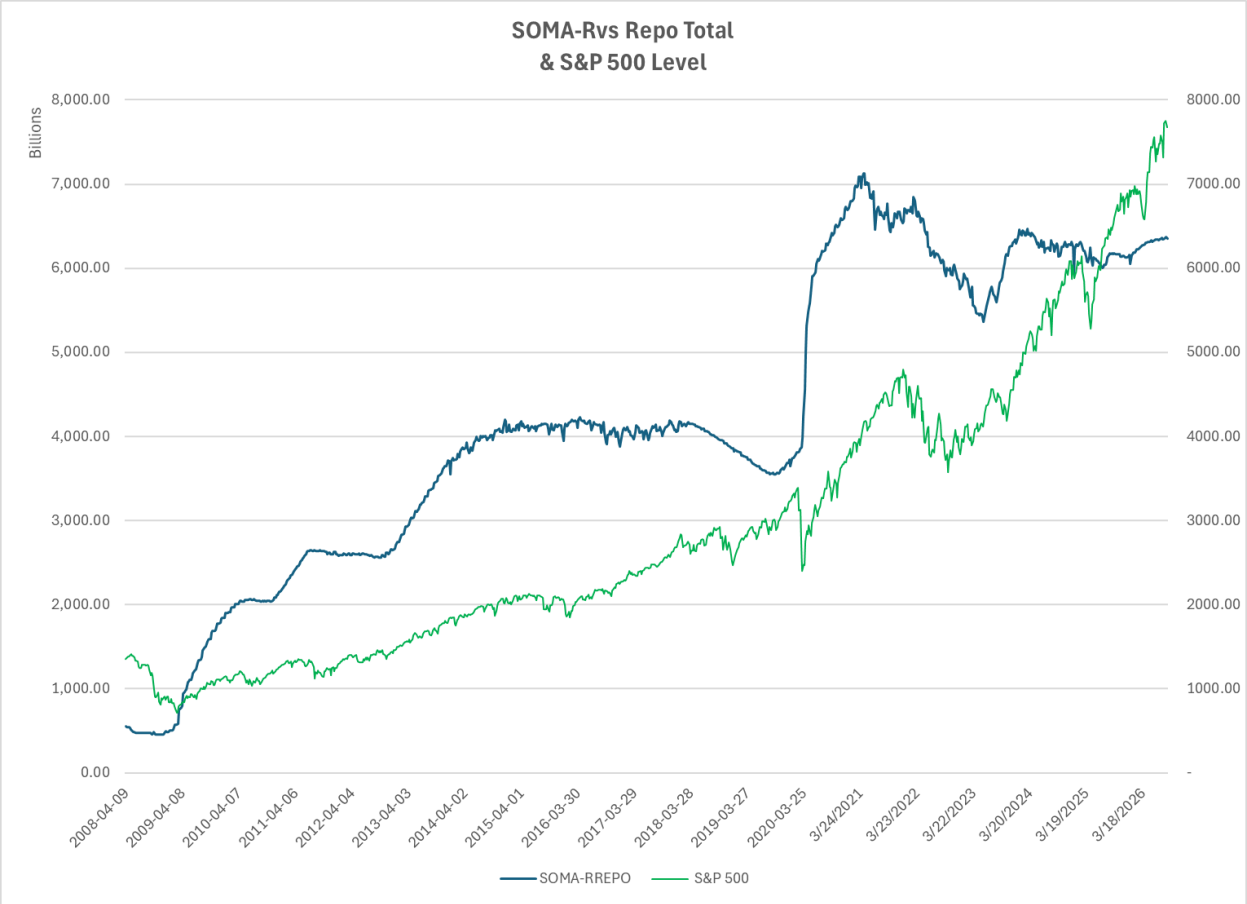
This past week was mixed for the major indices. The SPX rose 0.5%, the NASDAQ gained 0.85%, and the Russell 2000 declined 1.5%. Bonds were up. The US Aggregate Bond ETF (AGG) inched higher by 0.14%. TLT, the 20-year Treasury Bond ETF, jumped 1.0%. SPX is still near new all-time highs, so the long-term uptrend appears to be in place. There were not any studies that emerged in the last few days suggesting intermediate-term implications.

The Fed posted the latest update to the SOMA holdings on Thursday. It can be found below.

Domestic Security Holdings as of 2026-08-26	
SECURITY TYPE	TOTAL ($Thousands)
US Treasury Bills	541,994,926.7
US Treasury Notes and Bonds	3,601,804,749.0
US Treasury FRNs	20,045,553.8
US Treasury TIPS	276,076,310.7
Federal Agency Securities	2,347,000.0
Agency MBS	1,906,167,222.3
Agency CMBS	7,417,391.1
Total SOMA Holdings	**6,355,853,153.6**
Change From Prior Week	**-12,899,933.8**

The SOMA declined by about $12.9 billion this week. This drained some liquidity from the system. Meanwhile, reverse repos rose by about $385 million for the week ending 8/26/26. A rise

in reverse repos can act as a liquidity reduction. Combined for the week, SOMA and reverse repo action accounted for a liquidity drain of about $13.3 billion (through Wednesday the 26th). Below is an updated SOMA-Reverse Repo and SPX chart looking back to 2008.



Reverse repos are still extremely low. So unless that changes, they will not be providing much influence on liquidity flows. Quantitative Easing had been providing some support for the bulls, but that no longer appears to be the case since Warsh took over. Fed policy seems to be getting more hawkish and we could see a rise in rates within the next few meetings.

With regards to rates, odds shifted again this past week. The September meeting now shows about a 57% chance of a rate increase. That's up some from the 40% we saw last week. Looking out to October, odds currently show a 70% chance that rates are elevated vs today's rates. That's up slightly from the 53% odds we saw last week. This can be seen in the graphics below, courtesy of the CME Fedwatch tool.

FedWatch Tool

Target Rate
Current
Compare
Probabilities
Aggregated

Historical
Historical
Downloads
Prior Hikes

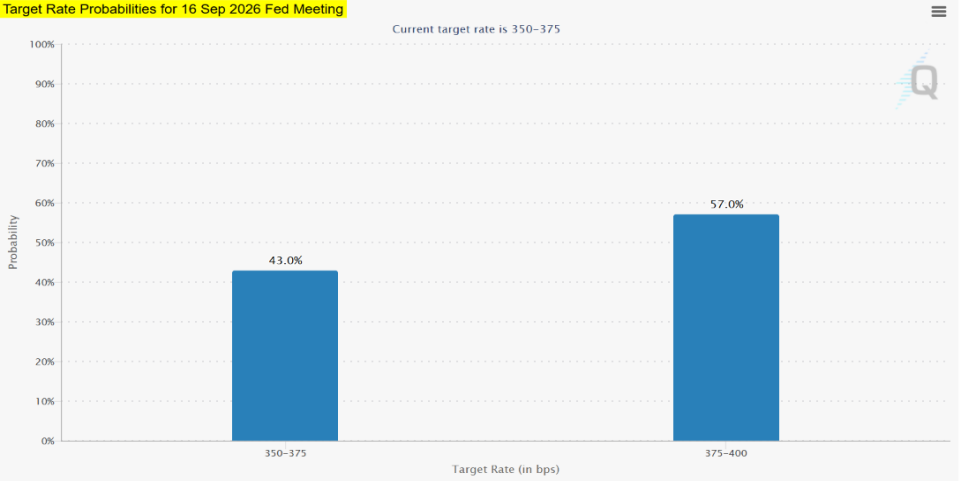
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Tools
CVOL
SOFR Watch
ESTR Watch

16 Sep26 | 28 Oct26 | 9 Dec26 | 27 Jan27 | 17 Mar27 | 28 Apr27 | 9 Jun27 | 28 Jul27 | 15 Sep27 | 27 Oct27

MEETING INFORMATION						PROBABILITIES		
MEETING DATE	CONTRACT	EXPIRES	MID PRICE	PRIOR VOLUME	PRIOR OI	EASE	NO CHANGE	HIKE
16 Sep 2026	ZQU6	30 Sep 2026	96.3050	66,082	237,295	0.0 %	43.0 %	57.0 %

Target Rate Probabilities for 16 Sep 2026 Fed Meeting



TARGET RATE (BPS)	PROBABILITY(%)			
	NOW *	1 DAY 27 AUG 2026	1 WEEK 21 AUG 2026	1 MONTH 29 JUL 2026
350-375 (Current)	43.0%	64.6%	60.1%	41.7%
375-400	57.0%	35.4%	39.9%	57.1%
400-425	0.0%	0.0%	0.0%	1.2%

* Data as of 29 Aug 2026 01:46:47 CT

1/1/2028 and forward are projected meeting dates

FedWatch Tool

Target Rate
Current
Compare
Probabilities
Aggregated

Historical
Historical
Downloads
Prior Hikes

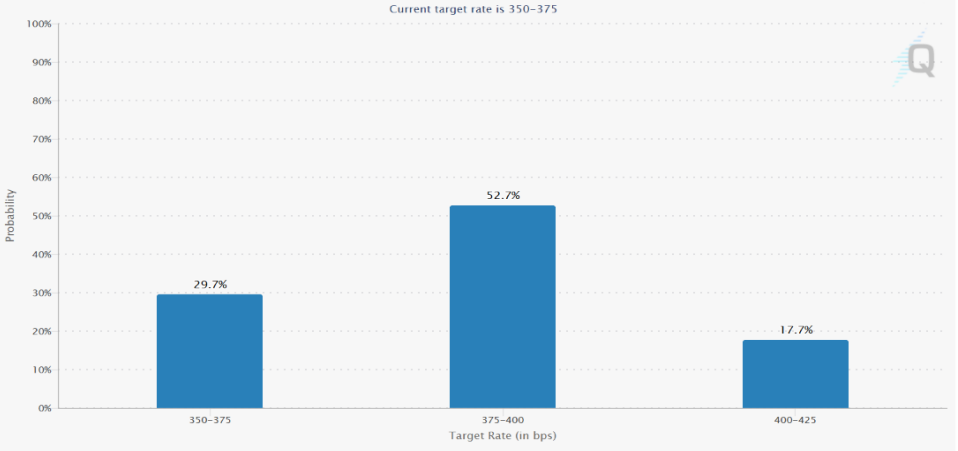
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MEETING INFORMATION						PROBABILITIES		
MEETING DATE	CONTRACT	EXPIRES	MID PRICE	PRIOR VOLUME	PRIOR OI	EASE	NO CHANGE	HIKE
28 Oct 2026	ZQV6	30 Oct 2026	96.2200	554,584	638,254	0.0 %	29.7 %	70.3 %

Target Rate Probabilities for 28 Oct 2026 Fed Meeting



TARGET RATE (BPS)	PROBABILITY(%)			
	NOW *	1 DAY 27 AUG 2026	1 WEEK 21 AUG 2026	1 MONTH 29 JUL 2026
350-375 (Current)	29.7%	47.4%	46.8%	30.6%
375-400	52.7%	43.2%	44.3%	53.0%
400-425	17.7%	9.4%	8.8%	16.1%
425-450	0.0%	0.0%	0.0%	0.3%

* Data as of 29 Aug 2026 01:46:47 CT

1/1/2028 and forward are projected meeting dates

As we have seen over and over, odds continually shift, so we will likely see further refinement as we get closer to these meeting dates. This upcoming week the Fed will be holding its annual Jackson Hole meeting and Warsh will be giving a speech following that meeting. It will be interesting to see what he says and how the market interprets his comments. It currently seems that the next Fed move is more likely to be a hike in rates than it is to be a cut. There is a decent that move could come in the next few months.

Intermediate-term evidence remains mixed. While nothing new emerged this week, bulls can still point to the %b momentum study from August 5th. We also have longer-term price thrust type studies from May suggesting additional gains to come. And the long-term trend remains up, which is a plus. But potential issues remain. While it nearly flipped this past week, the Nasdaq remains in a lagging position, and that is still a yellow flag. The recent Hindenburg Omen Cluster is also a warning sign that suggests the market is susceptible to selling at some point in the next couple of months. We also have multi-month new-high divergence from the Study of Tops. Long-term seasonality is bearish through October, and the study looking at down June / down July I showed a few weeks ago suggests this September could be especially dangerous. The Fed appears somewhat hawkish, or at best neutral. Geopolitical risks can pop up at any time. With all of these potentially bearish factors to contend with, I am keeping my bias neutral. Therefore, I am inclined to tread somewhat lightly with both long and short trades.

Catapult and Capitulative Breadth Statistics

Catapult & CBI Presentation Link

Open Catapult Triggers

None

***Broad Market Large Cap CBI* – 0**

Additional New Trade Ideas

None.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	*8/20/2026*	*$762.60*	*$771.76*	*1.20%*	*sold on open*

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